

## Budget Policy Statement

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### SECTION 1: RESERVES AND CONTINGENCIES

- General Fund—25% of general fund appropriations for the succeeding fiscal year in order to provide adequate cash flow and emergency cash funding.
- Operating Funds (general, road use tax, employee benefits and enterprise funds)—The City will assemble sufficient cash reserves in operating funds for working capital so that short term cash flow financing is not required. The cash reserve will be no less than 25% of the next year's operating budget.
- Equipment Replacement Reserve Fund—The City will establish and maintain an equipment reserve fund, determine optimal fleet and equipment replacement schedules considering budget constraints, and will annually appropriate funds to the extent possible to it for the timely upgrading and replacement of vehicles and equipment. The amount added to this fund by annual appropriation will be the amount required to maintain the fund at the approved level after credit for the sale of surplus vehicles and equipment and interest earned by the fund. It is the City's intent that the reserve fund replaces the City's need to borrow, through capital lease purchase agreements, vehicle and equipment acquisitions, and other improvements.

### SECTION 2: REVENUE

- Property Taxes—In order to provide stability and consistency, the property tax levy should remain unchanged unless determined necessary through an annual review.
- Tax Increment Financing—No less than 40% of the incremental value from all urban renewal districts combined, will continue to be released to all taxing jurisdictions.
- Municipal Enterprises—All utilities, including water, sanitary sewer and storm sewer enterprise programs, should be fully self-supported through user fees or charges.
- Park and Recreation Fees—The City will review and adjust user fee rates annually, fund 45% of recreation programming costs by charging user fees for recreational activities and use of city facilities and equipment. The City will pursue frequent small increases as opposed to infrequent large increases.

### SECTION 3: OPERATING EXPENDITURE POLICIES

- Base Budgets—City base budgets will reflect expenditures necessary to maintain staffing levels and fund prior year commitments. The City will maintain a fiscally sustainable, balanced base budget. Ongoing expenditures are to be matched with ongoing financing sources. The City will examine the financial condition of base budgets in advance of evaluating requests for increases in service levels and supplemental requests.
- Operating Expenses—Limit department increases for routine, ongoing operating expense line items to 3% or the Consumer Price Index (CPI) increase.
- Employee Compensation and Benefits—The City is competitive in the market place, wishes to continue positive labor relations, and desires to attract and retain top talent. Competitive salary and benefits will be provided to all employees within the City's means, with the expectation that services being provided by all staff shall continue to be exemplary. The City will annually review changes in market pay and evaluate the incorporation of across the board market structure adjustments in pay plans.
- Staffing—Consider new personnel as recommended by the City Manager.
- Capital Outlay—The operating budget provides for adequate maintenance of fixed assets and equipment and provides for their orderly replacement.

### SECTION 4: EXTERNAL PROGRAMS

- Hotel/Motel Tax Fund—Authorize allocation of tax revenues to satisfy contractual agreements, commitments to city operations and Ankeny-based organizations.

### SECTION 5: CIVIC TRUST FUND

- City Obligations—Annual expenditures identified in the Capital Improvement Program should be fully funded from financial resources that are anticipated to be current and available. City commitments to the Prairie Trail development for construction of public infrastructure and amenities total \$20 million. Phase II expenditures increase the City's total for project planning and construction by another \$20 million, resulting in a total authorization of \$40 million.
- Developer Obligations—Annual expenditures identified in the Capital Improvement Program should be fully funded from financial resources that are anticipated to be current and available. Developer commitments to the Prairie Trail development for construction of public facilities and public grounds total \$18.75 million. In addition, the Developer is committed to support construction of public facilities outside of Prairie Trail totaling \$6.25 million. Phase II expenditures

increase the Developer's total for public facilities and public grounds Prairie Trail by another \$20 million. In total the Developer is providing \$45 million.

- Resource Allocation—The City will allocate Prairie Trail resources in direct relation to authorized Civic Trust Fund I and II commitments.
- Revenue Forecasting and Monitoring—The City will develop and maintain a Civic Trust Fund revenue monitoring system to assist in trend analysis and revenue forecasting.

## SECTION 6: CAPITAL IMPROVEMENT PROGRAM

- Projects—Evaluate all requests for capital improvement projects using the following criteria:
  - a. Source of funding including availability of additional revenue
  - b. Total project cost (design and development) and schedule for completion
  - c. Operating and maintenance costs for at least a five-year period following completion
  - d. Useful life of asset
  - e. Benefits to the city including, but not limited to, the affect on future operating and maintenance costs, economy, services, public health and safety, environment, segment of population to be affected, and special considerations
  - f. Alternatives considered
  - g. Consequences of not funding or deferral
  - h. Evaluation of citizen input
  - i. Impact on strategic plan for the City
- Cost Estimates—Revise cost estimates after completion of design.
- Design—Design facilities using current technology in order to be efficient and cost effective, protect the public welfare and minimize adverse effects on the environment.
- Multi-Year Projects—Annually evaluate multi-year capital projects.
- Priorities—Give priority to replacement or repair of existing assets.
- Plan Maintenance—Prepare and update annually a capital improvement program including construction and purchases of city assets.
- Non-Construction Expenses—Limit interest, operating, administrative and/or maintenance expenses capitalized for capital projects to those expenses incurred prior to actual operation of the facility.

- Offices—Consolidate offices into fewer buildings and move from leased to owned facilities as much as possible.
- Long-Term Financing—Long-term borrowing shall be limited to capital improvement projects that cannot be financed from current revenues and to capital equipment with a useful life of 20 years or greater and a purchase cost of \$250,000 or greater. Other policies governing long-term debt include:
  - a. Finance capital projects for a period not to exceed the expected useful life of the project.
  - b. Maintain good communication with rating agencies and provide required disclosure on every financial report and bond prospectus.
  - c. Prohibit debt or bond financing from being used to support current operating expenditures.
  - d. Total debt outstanding, including overlapping debt, will be considered when planning additional debt issuance.
  - e. The City's share of utility projects, including City costs of over-width or over-depth paving of major streets, should be financed with road use tax funds or other revenue sources when funds are available and appropriate.
  - f. The City's share of utility projects, including City cost of over-sizing of water, sewer and storm sewer mains, should be financed with utility funds and other revenue sources when funds are appropriate and available.
  - g. The use of general obligation bonds for projects does not dismiss the potential of pro rata payment for debt service by specifically benefitted funds such as water, sewer, storm water, or road use tax.
  - h. Financing requirements will be reviewed annually. The timing for financing will be based upon the City's needs for funds, market conditions and debt management policies.